

# The Impact of Culture Distance on China's Trade Exports to the 58 Countries along the "Belt and Road"

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**Abstract:** Culture, as an informal system, has received extensive attention from scholars in international trade involving cross-cultural exchanges. Starting from Hofstede's theory of the six dimensions of culture, this paper empirically verifies the impact of culture distance on China's exports to the 58 countries along the "Belt and Road" by using the trade gravity model. The study finds that culture distance has a first inhibiting and then promoting "U" shape effect on China's trade exports to countries along the "Belt and Road", and that culture distance has a heterogeneous effect on China's trade exports to countries in terms of the categories of products and the target countries' income levels. In addition, culture interaction activities like Friendship Cities and Confucius Institutes can positively moderate the influence of culture distance on China's trade export.

**Keywords:** Culture Distance, China's Export, "Belt and Road", Culture Interaction.

## 1. Introduction

International trade is a transactional activity carried out in a cross-cultural environment, and therefore transnational trade is closely related to cultural elements. Culture, as an informal system, is a basic factor affecting trade, especially in the current context of global economic integration, modern logistics and the rapid development of computer network technology. In such a situation, the influence of tangible factors such as geography and logistics on international trade is gradually weakening, but the importance of intangible factors such as culture is gradually rising, so it is extremely necessary to study trade in combination with culture factors.

The increasing prosperity of cross-border trade business is superficially manifested in the increase of cross-border trade flow, but it is deeply influenced by many factors such as geography, culture, system and political stability. In the last century, Tinbergen and Poyhonen (1962, 1963) proposed a trade gravity model based on the perspective of geographic distance, which proved that inter-country trade flows are positively proportional to the size of the economies of the two countries, and inversely proportional to the power of the geographic distance between the two countries. Hofstede (1980) pointed out that trade activities are more likely to occur in trading partner countries with similar culture backgrounds and values, while trading partner countries with greater culture differences will have lower trade volumes due to higher trade costs. Subsequently, many scholars began to pay attention to the impact of culture distance on trade (Kogut and Singh, 1988; Linders, 2005), and some scholars began to use empirical methods to verify the impact of culture distance on trade imports and exports (Boisson and Ferrantino, 1997; Koko and Tingvall, 2014), which gave rise to some different results about the impact of culture distance on trade. In short, more and more scholars use the trade gravity model to analyze international trade, and continue to improve and innovate in actual research, which makes the trade gravity model more and more perfect, and the research on culture distance and international trade using the trade gravity model more and more rich (Tian and Jiang, 2012; Wang, 2021).

Based on previous studies, this paper adopts a trade gravity model that introduces culture distance, focusing on the impact of culture distance on China's trade exports to 58 "Belt and Road" countries. On the one hand, "Belt and Road" is an international cooperation platform mainly in Asia, Europe and Africa, and in recent years, some countries in America and Oceania have also joined the "Belt and Road" plan, so "Belt and Road" involves many countries with different political and economic systems, religious beliefs, ideologies, cultural traditions and customs. Cultural differences between China and other countries can bring invisible trade barriers and trade risks to both sides. On the other hand, with the increasing number of formal and informal exchanges between countries, cultural exchange activities such as Friendship Cities and Confucius Institutes advocated by China may help to enhance understanding and trust between China and other countries and strengthen Chinese culture spread. On this basis, this paper focuses on whether culture interaction activities can regulate the effect of culture distance on China's trade exports to countries along the "Belt and Road".

The primary contribution of this paper is to propose the utilization of cultural interaction activities, such as Friendship Cities and Confucius Institutes, as a moderating mechanism to regulate the impact of cultural distance on trade, and the results of the empirical test prove that the Friendship Cities and Confucius Institutes do have positive effect on moderating the inhibition effect of culture distance on China's export to countries along "Belt and Road". It is believed that the findings of this study can facilitate a deeper comprehension of the underlying significance of culture interaction activities, subsequently fostering the reduction of cultural distance and promoting enhanced trade cooperation, particularly among countries with limited economic resources along the "Belt and Road" initiative.

The rest of this paper is organized as follows. Section 2 presents the theoretical analysis and research hypotheses according to the existed literature. In Section 3, the data source and processing method are described. Section 4 employs an econometric model to analyze the central concept of this paper and empirically examine the impact of cultural

distance on China's export trade with countries along the "Belt and Road" initiative. In Section 5, the heterogeneity and moderating effects are analyzed. Finally, Section 6 provides the concluding remarks of this study.

## 2. Research Background

### 2.1. Culture Distance

Regarding the concept of culture distance, academics have not given a clear and unified definition, but different scholars have made some definitions of the connotation of culture distance based on their own research. Kogut et al. (1988) stated that culture distance mainly refers to the degree of difference in values among different cultural contexts. Inglehart (2004) pointed out that culture distance refers to the degree of difference in behavioral norms and values between countries. Chinese scholar Luo (2006) believed that consumers make personal consumption choices based on specific cultural patterns, and that consumers express their attitudes and values when others infringe on their personal consumption habits. To summarize, different scholars have their own unique insights into culture, but most of the connotations about culture distance tend to be reflected in attitudes and values. According to the existing literature, culture distance can be used as an indicator of cultural differences (Tian, 2015).

Scholars have not reached a unanimous consensus on the measurement of culture distance. Some scholars have proposed the use of cultural indicators such as language, religion, and ethnicity to construct culture distance (Melitz, 2014). Some others have chosen genetic distance as a proxy variable for culture distance (Guiso, 2009). Meanwhile, some academics have chosen the World Values Survey to calculate culture distance using the Euclidean distance measure (Tasasse and White, 2010a, b). In addition, some scholars (Linder, 2005; Mohlmann, 2009) have utilized Hofstede's Cultural Dimension Index to calculate culture distance using the KSI index. Although a unified standard on the measurement of culture distance has not been reached, the use of Hofstede's six dimensions to construct culture distance has been recognized by more and more scholars. Most Chinese scholars adopt this method to quantify culture distance, such as scholars Kan et al. (2011) who quantify culture distance by referring to the calculation method of Kougut and Singh(1988), and Qi et al. (2012) introduce the number of years of establishment of diplomatic relations in order to measure the time-varying culture distance on the basis of Kougut and Singh's (1988) measurement.

### 2.2. How the Culture Distance Put An Effect on Trade

Transaction Cost Theory. Transaction cost theory was developed by British economist Ronald H. Coase in his paper "On the Nature of the Firm" published in 1937. Transaction costs include the costs of searching for information, negotiating, signing contracts, monitoring performance, and dealing with defaults. Transaction cost theory can be applied to international trade. Wider culture distance means higher costs of information search, larger difficulty in communication, understanding and trust, and weaker ability to feel and address risk, thus negatively affecting trade. Guiso (2009) studied European countries, and found that a decrease in bilateral trust between European countries leads to a decrease in the volume of trade and investment between the

two countries. White and Tadesse (2008) pointed out that the fundamental reason for the trust effect to inhibit bilateral trade between countries lies in culture distance and found that there is a significant difference in the effect of culture distance on different products. In addition, some scholars have also found that similar cultural environments and values promote trade behavior in trading partner countries by empirical research (Zhou, 2011), the volume of trade between countries decreases with the increase of cultural differences (Boisso and Ferrantino, 1997), and greater culture distance would hinder the development of international trade (Bedassa and Roger, 2008).

Consumer Choice Preferences. Consumer choice preferences refer to consumers' tendency to choose the combination of goods that maximizes utility for them under a given income constraint. When the culture distance between two countries is wider, the heterogeneity of their products may be greater, and products with exotic feature may attract consumers to purchase, which means trade complementarities due to cultural differences may lead to greater utility for consumers in purchasing culturally different products. Linders (2005) points out that cultural differences between countries promote export trade, and Guiso et al. (2005) reach a similar conclusion in their study on export trade in Europe. Chinese scholar Qi (2012) argues that culture distance mainly affects trade costs and consumer choice to influence international trade behavior, and Qu (2010) asserts that there is a promotion effect of culture distance on international trade, and the main mechanism is that culture distance increases product heterogeneity and consumer choice. Liu et al. (2018) study China-Africa trade exchanges and conclude that cultural differences between China and Africa promote China's trade exports to African countries.

The overlapping effects of transaction costs and consumer choice preferences. Increased transaction costs due to culture distance will inhibit trade exports, while trade complementarities and consumer choice will promote trade exports. Some scholars have pointed out that the inhibition and promotion to trade by culture distance will work simultaneously and may form a complex nonlinear relationship (Beugelsdijk, 2004; Lankhuizen and Groot, 2016; Kan and Luo, 2011). Qi et al. (2012) found a "U" shaped relationship between culture distance and China's outward investment. Luo (2020) reached a similar conclusion in his study on culture distance and OFDI.

Based on the above analysis, this paper puts forward the hypothesis H1: the inhibitory and promotional effects of culture distance on trade will be superimposed, resulting in the relationship between culture distance and China's export trade to the countries along the "Belt and Road" showing a "U" shape.

### 2.3. Is There Any Moderation Mechanism?

Friendship Cities. Friendship cities refer to the friendship and cooperation between cities under the jurisdiction of Chinese provinces (autonomous regions and municipalities directly under the central government) and foreign provinces (states, counties, and districts) (Yang et al. 2022). The friendship cities are also commonly called as "sister cities" or "twin cities". China's advocacy of international friendship cities began with the establishment of a friendship city relationship between China and Kobe in 1973. According to the Administrative Regulations on the Work of Friendship Cities issued by the Chinese People's Association for

Friendship with Foreign Countries (CPAFFC), the purpose of international friendship cities is to promote the friendship between Chinese cities and foreign cities, to meet the needs of the country's overall diplomacy, to carry out exchanges and cooperation between the two sides in economy, science and technology, and culture, to promote the common social prosperity and progress, and to help maintain the whole world peace.

Several Chinese scholars have concluded that the construction of international friendship cities is conducive to strengthening political, economic and cultural exchanges and promoting China's trade exports of cultural products (Yu, 2019; Wei, 2018). Wei and Zhang (2021) found that friendship cities have a significant role in promoting China's trade exports, which is characterized by product heterogeneity, intercontinental heterogeneity and time lag. Wang (2021) studied the impact of culture distance on cross-border tourism and found that culture distance has a significant negative impact on the residents of the countries along the "Belt and Road" to travel to China, and that international friendship cities can positively regulate the negative effect of culture distance on the scale of China's inbound tourism. Yang et al. (2022) found that friendship cities can strengthen the trust and deep-level exchanges between Chinese cities and foreign cities in trade partner countries, and will significantly promote China's exports. Han et al. (2023) have an study of international friendship cities and found that puts a significant promoting role on the number of overseas mergers and acquisitions of Chinese enterprises and transaction scale.

Confucius Institutes. Confucius Institutes are an important means of culture exchanges between China and the rest of the world. Since 2004, China has begun to set up Confucius Institutes around the world to promote the wide spread of Chinese culture and build communication bridges between China and the rest of world. As of December 2019, China has established 550 Confucius Institutes and 1,772 Confucius Classrooms in 162 countries. The establishment of Confucius Institutes around the world has promoted the world's culture identity towards China, and has had a significant impact on shortening the culture distance between China and other countries, spreading oriental consumption and lifestyles, and facilitating the smooth implementation of bilateral trade (Jiang and Zhang, 2018). The establishment of Confucius Institutes also promotes the dissemination and popularization of Chinese language and culture, which enables both trading parties to better understand each other's intentions, more accurately designate bilateral trade agreements, and to a certain extent reduces the transaction costs brought about by miscommunication and information mismatch, thus promoting bilateral trade exchanges (Gu and Ren, 2019).

Previous study have proved that the establishment of Confucius Institutes has a significant role in promoting trade exports by empirical research (Lien, 2012; Xie, 2016). Kang et al. (2019) found that the culture dissemination of Confucius Institutes has a great role in promoting China's export trade along the "Belt and Road", and can promote China's exports flow increase to their neighboring countries at the same time. Pan et al. (2021) showed that Chinese culture spread has an important influence on the promotion of exports and improvement to the level of economic along the route, and that Confucius Institutes can take on this responsibility of spreading culture. Zhang and Lin (2023) concluded that Confucius Institutes can moderate the culture distance between China and other countries to a certain extent and

mitigate the inhibitory effect of culture distance on bilateral trade.

Based on the above analysis, this paper proposes hypothesis H2: cultural interaction activities will alleviate the inhibitory effect of increased transaction costs due to culture distance and enhance the facilitating effect of consumer choice preferences due to culture distance.

### 3. The Empirical Setup

#### 3.1. Data and Variables

China's total trade exports to the countries along the "Belt and Road". According to the classification standard of International Trade, Revision 4 (SITC, Rev4) in the official website of UN Comtrade, the international trade category is divided into 10 categories, of which SITC0-SITC4 is the category of trade about primary products, and SITC5-SITC9 is the category of trade about manufactured products. The source of data is the UN Comtrade database (<https://comtradeplus.un.org/>).

Culture distance. This paper is based on Hofstede's culture database to construct the culture distance indicator, the data from Hofstede's official website (<https://geerthofstede.com/>). A scientific questionnaire designed by Hofstede is used to investigate the attitudes and values of workers in different sectors in different countries, the questionnaire consists of 33 questions related to the political system, religious beliefs, family values and so on. The questionnaire reflects the culture characteristics of different countries in the world. Six dimensions were formed through cluster and factor analysis to quantify the culture of different countries (or regions). The six dimensions are "Individualism versus Collectivism", "Power Distance", "Masculinity versus Femininity", "Uncertainty Avoidance", "Long-term Orientation", and "Indulgence". With reference to the KSI index of Kogut and Singh (1998) and the culture distance construction method introduced by the Chinese scholar Qi Jianhong (2012), this paper puts the culture distance into a quantitative calculation. This paper sets the culture distance into the following representation:

$$CD_{cjt} = \frac{1}{6} \sum_{k=1}^6 \frac{(C_{kjt} - C_{kct})^2}{V_{kt}} + \frac{1}{T_{cj}}$$

Where  $C_{kjt}$  refers to country  $j$ 's  $k$ th culture dimension scores in year  $t$ ,  $C_{kct}$  refers to China's  $k$ th culture dimension scores in year  $t$ ,  $V_{kt}$  refers to the selected sample countries' variance on the  $k$ th culture dimension in year  $t$ ,  $T_{cj}$  refers to the number of years of diplomatic relations between China and country  $j$ .

Geographic distance. According to the Iceberg Theory of National Trade, the increase of bilateral geographic distance will increase the cost of trade, most of the previous literature have used the distance between the bilateral countries' capital to express the geographic distance, but such measurement ignores the changes in the cost of distance, and it is not possible to estimate the non-time-varying variables in the fixed-effects model. So in this paper, drawing on the methodology of Jiang and Jiang (2012) for measuring the geographic distance, the author uses the two capitals of the two countries to product of distance and international oil price to measure the value of geographic distance. Where the data of the distance between the two capitals come from the CPEII database (<http://www.cepii.fr/>), and the data of the

international oil price come from the U.S. Energy Information Administration (EIA) Database (<https://www.eia.gov/>).

“Belt and Road” countries’ GDP. In this paper, the GDP data of the countries along the “Belt and Road” is used to represent the economic situation of the countries. A larger GDP of a country means a larger market size and a higher level of overall consumption in that country. The GDP data of the countries along the “Belt and Road” are obtained from the World Bank Database (<https://data.worldbank.org.cn/>).

China’s GDP. In this paper, China’s GDP is used to represent China’s economic situation. The larger China’s GDP means that China’s economic condition is better, which will be more inclined to produce more goods, then the market supply capacity will be improved, which will leads to part of the goods flow to the international market. China’s GDP data comes from the World Bank Database (<https://data.worldbank.org.cn/>).

“Belt and Road” countries’ population. The total population of a export target country is used to reflect the size of the country’s consumer market. The larger the population size is, the stronger the overall consumption capacity and the more diversified the consumption demand is, and thus the country will buy more products in international markets. The population data of the countries along the “Belt and Road” are obtained from the World Bank Database (<https://data.worldbank.org.cn/>).

China’s population. China’s total population reflects the size of China’s domestic consumer market, with a larger population indicating that China’s domestic consumer demand is higher, and thus goods produced in China are prioritized to be consumed domestically, thus inhibiting some of the flow of goods to the international market. China’s population data are obtained from the World Bank Database (<https://data.worldbank.org.cn/>).

China’s outward foreign outward investment stock lagged one period. The larger the amount of a country’s direct investment to a host country of its investment, the larger the trade export to the host country will increase. Data of China’s direct outward investment comes from the “Statistical Bulletin of China’s Outward Foreign Direct Investment” published annually by the National Bureau of Statistics of China (<http://www.stats.gov.cn/>).

Economic freedom. A country with greater economic freedom is more economically prosperous, and when a country is more economically free it promotes national trade. Data on country economic freedom scores is taken from the annual report of the Heritage Foundation (<https://heritageofthomasville.com/>).

Language distance. The greater the language distance between trading bilateral countries, the higher the transaction costs incurred, and the efficiency of trade will decrease accordingly. When the language distance between the bilateral countries of trade is small, it will reduce the time for both parties to search for information and negotiate decisions, thus reducing the transaction costs. The data on language distance is obtained from the CPEII Database (<http://www.cepii.fr/>).

Coastline. Landlocked countries without coastlines lack sea transportation, which usually means higher transportation costs and is not conducive to international trade. This variable is a dummy variable, which is 1 if the countries along the “Belt and Road” were countries with coastlines and 0 if they were countries with coastlines. Data on the presence or

absence of coastlines are obtained from the National Geophysical Data Center (<https://www.ngdc.noaa.gov/>).

WTO. The World Trade Organization is committed to eliminating trade barriers and promoting trade, and accession to the World Trade Organization is conducive to trade development. This variable is a dummy variable, which is 1 if the countries along the Belt and Road were members of the World Trade Organization and 0 if they were not. Data on WTO membership are obtained from the official website of the World Trade Organization (<https://www.wto.org/>).

Interaction term of Culture Distance and Friendship City. When China and the trading countries along the “Belt and Road” have friendship city in year  $t$ , the value of the friendship city is set as a dummy variable of 1, and the value is 0 before the conclusion of the friendship city, or 0 for countries without a friendship city. The data of the friendship city come from the official website of the Chinese People’s Association for Friendship with Foreign Countries (<https://www.cpaffc.org.cn/>).

Interaction term of Culture Distance and Confucius Institutes. When a trading country along the “Belt and Road” has a Confucius Institute, the value of the Confucius Institute in that country is set as a dummy variable of 1, and the value of the Confucius Institute in a country without a Confucius Institute is set as a dummy variable of 0. The data of the Confucius Institutes are obtained from the official website of the Confucius Institute (<https://www.ci.cn/qqw1>).

### 3.2. The Econometric Model

The principle of the trade gravity model is derived from Newton’s law of universal gravitation, which was first proposed by Tinbergen and Poyhonen (1962, 1963) and is widely used nowadays in the field of international trade. The form of the equation is as follows:

$$\text{Trade}_{cj} = A \cdot \frac{\text{GDP}_c \cdot \text{GDP}_j}{\text{Distance}_{cj}}$$

In the equation,  $\text{Trade}_{cj}$  is the bilateral trade volume between country  $c$  and country  $j$ .  $A$  is a constant term.  $\text{GDP}_c$  represents the gross domestic product of country  $c$ ,  $\text{GDP}_j$  represents the gross domestic product of country  $j$ ,  $\text{Distance}_{cj}$  is the geographic distance between country  $c$  and country  $j$ . The formula shows that the bilateral trade between the two countries is directly proportional to the economic level of the two countries, and it is inversely proportional to the geographic distance between the two countries.

However, with the continuous development of international trade, physical factors such as geographical distance can no longer fully explain the phenomenon of international trade flows. Nowadays, more and more scholars begin to focus on analyzing the impact of cultural differences, language distance and other intangible factors on trade flows.

In this paper, on the basis of the existing trade gravity equation, after introducing culture distance and control variables, the logarithmic treatment is carried out to obtain the following equation:

$$\begin{aligned} \ln \text{EX}_{cjt} = & \alpha_0 + \alpha_1 \ln \text{CD}_{cjt} + \alpha_2 \ln^2 \text{CD}_{cjt} + \alpha_3 \ln \text{DIS}_{cjt} \\ & + \alpha_4 \ln \text{FDI}_{cjt-1} + \alpha_5 \ln \text{GDP}_{ct} + \alpha_6 \ln \text{GDP}_{jt} + \\ & \alpha_7 \ln \text{POP}_{ct} + \alpha_8 \ln \text{POP}_{jt} + \alpha_9 \ln \text{EF}_{jt} + \alpha_{10} \ln \text{LAN}_{cj} + \\ & \alpha_{11} \text{COAST}_j + \alpha_{12} \text{WTO}_j + u_t + v_i + \varepsilon \end{aligned} \quad (1)$$

$\ln EX_{cjt}$  denotes the logarithmic treatment of China's total exports to trade partners along the "Belt and Road",  $\ln CD_{cjt}$  denotes the logarithmic treatment of China's time-varying culture distance with trade partners,  $\ln^2 CD_{cjt}$  denotes the quadratic of the logarithmic treatment of culture distance,  $\ln DIS_{cjt}$  denotes the logarithmic treatment of China's time-varying geographic distance from trade partners,  $\ln FDI_{cjt-1}$  denotes the logarithmic treatment of China's lagged one-period stock of direct investment in trade partners,  $\ln GDP_{ct}$  and  $\ln GDP_{jt}$  denote the logarithmic treatment of China's logarithmization of GDP and the trade target countries',  $\ln POP_{ct}$  and  $\ln POP_{jt}$  denote the logarithmization of total domestic population of China and the trade target countries,  $\ln EF_{jt}$  denotes the logarithmization of trade freedom index score of the trade target countries,  $\ln LAN_{cj}$  denotes the logarithmization of language distance between China and the trade target countries,  $COAST_j$  denotes whether or not these trade target countries are countries with coastline, and  $WTO_j$  denotes whether the trade target countries are members of the World Trade Organization,  $u_t$  denotes time fixed effects,  $v_i$  denotes individual fixed effects, all individual fixed effects in this paper are at the continental level, and  $\varepsilon$  is a random perturbation term.

At the same time, in order to verify whether the construction of friendship city can moderate the impact of culture distance on the foreign trade exports of the countries along the "Belt and Road", this model introduces the interaction term of culture distance and friendship city on the basis of model (1), and the specific model is as follows:

$$\begin{aligned} \ln EX_{cjt} = & \alpha_0 + \alpha_1 \ln CD_{cjt} + \alpha_2 \ln^2 CD_{cjt} + \alpha_3 \ln DIS_{cjt} \\ & + \alpha_4 \ln FDI_{cjt-1} + \alpha_5 \ln GDP_{ct} + \alpha_6 \ln GDP_{jt} + \\ & \alpha_7 \ln POP_{ct} + \alpha_8 \ln POP_{jt} + \alpha_9 \ln EF_{jt} + \alpha_{10} \ln LAN_{cj} + \\ & \alpha_{11} COAST_j + \alpha_{12} WTO_j + \alpha_{13} \ln CD_{cjt} * FC + u_t + \\ & v_i + \varepsilon \end{aligned} \quad (2)$$

$\ln CD_{cjt} * FC$  denotes the interaction terms for logarithmic processing.

In addition, in order to verify whether Confucius Institutes can moderate the impact of culture distance on the foreign trade exports of the countries along the "Belt and Road", this following model introduces the interaction term of culture distance and Confucius Institutes on the basis of Model (1), and the specific model is as follows:

$$\begin{aligned} \ln EX_{cjt} = & \alpha_0 + \alpha_1 \ln CD_{cjt} + \alpha_2 \ln^2 CD_{cjt} + \alpha_3 \ln DIS_{cjt} \\ & + \alpha_4 \ln FDI_{cjt-1} + \alpha_5 \ln GDP_{ct} + \alpha_6 \ln GDP_{jt} + \\ & \alpha_7 \ln POP_{ct} + \alpha_8 \ln POP_{jt} + \alpha_9 \ln EF_{jt} + \alpha_{10} \ln LAN_{cj} + \\ & \alpha_{11} COAST_j + \alpha_{12} WTO_j + \alpha_{13} \ln CD_{cjt} * Confucius + \\ & u_t + v_i + \varepsilon \end{aligned} \quad (3)$$

$\ln CD_{cjt} * Confucius$  denotes the interaction terms for logarithmic processing.

## 4. The Relationship between Culture Distance and Trade Export

### 4.1. Baseline Result

**Table 1.** Culture Distance and Trade Export: OLS estimation

	(1)	(2)	(3)	(4)	(5)
	$\ln EX_{cjt}$	$\ln EX_{cjt}$	$\ln EX_{cjt}$	$\ln EX_{cjt}$	$\ln EX_{cjt}$
$\ln CD_{cjt}$	-0.434*** (0.0626)	-1.072*** (0.126)	-0.867*** (0.206)	-0.746*** (0.127)	-0.746*** (0.148)
$\ln^2 CD_{cjt}$		0.415*** (0.0715)	-0.0606 (0.388)	0.413*** (0.0726)	0.413*** (0.0873)
$\ln^3 CD_{cjt}$			0.207 (0.166)		
$\ln GDP_{jt}$	0.895*** (0.0155)	0.895*** (0.0152)	0.899*** (0.0155)	0.565*** (0.0332)	0.565*** (0.0331)
$\ln GDP_{ct}$	0.597*** (0.0722)	0.591*** (0.0709)	0.585*** (0.0711)	18.00* (10.78)	18.00 (10.95)
$\ln DIS_{cjt}$	-0.590*** (0.0707)	-0.563*** (0.0696)	-0.532*** (0.0737)	-0.472*** (0.0714)	-0.472*** (0.0474)
$\ln POP_{jt}$				0.244*** (0.0285)	0.244*** (0.0291)
$\ln POP_{ct}$				-378.7* (228.8)	-378.7 (232.4)
$\ln FDI_{cjt-1}$				0.105*** (0.0130)	0.105*** (0.0136)
$\ln EF_{jt}$				1.501*** (0.192)	1.501*** (0.169)
$\ln LAN_{cj}$				0.00185 (0.143)	0.00185 (0.127)
$COAST_j$				0.309*** (0.0828)	0.309*** (0.102)
$WTO_j$				-0.0781 (0.0846)	-0.0781 (0.0656)
Year	Yes	Yes	Yes	Yes	Yes
Continent	Yes	Yes	Yes	Yes	Yes
Constant	-5.515*** (1.632)	-5.573*** (1.602)	-5.857*** (1.618)	4.108* (2.483)	4.108 (2.522)
Observations	898	898	898	773	773
Adjusted R-squared	0.861	0.866	0.866	0.877	0.877

Note: Robust standard errors in parentheses \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

Table 1 reports the results on the effects of the culture distance on China's export to the "Belt and Road" countries. The column (1) shows that culture distance is negatively related to China's exports to the sample countries along the "Belt and Road" when no control variables are added. As some scholars have previously concluded that the impact of culture distance on trade may be a "U" shape, which means before the culture distance reaches a certain value, the culture difference will inhibit China's trade exports to the trade target countries, and when the culture difference exceeds this specific value, China's exports to target countries will be positively correlated with the trade volume. So on the basis of reasonable assumptions, the culture distance quadratic is introduced into regression. Stata regression results in column (2) indicates that the culture distance of the primary coefficient is negative, the secondary coefficient is positive, there is a high probability that the type of "U". In order to verify the "U" shape, this paper adopts the Utest test in Stata software, and the results show that the U-type model assumption of this paper is reasonable.

Previously, some scholars in the process of doing research on culture distance and China's foreign investment, concluded that the culture distance and OFDI might be a "S" type. On the basis of the U-shape assumption, this paper makes a furthermore assumption that the culture distance and the amount of exports may fit in a "S" type of special non-linear model, therefore, this paper introduces the cubic term of culture distance, the result is showed in the column (3) of Table 1. It can be seen that the cubic term is not significant, so the "S" shape of non-linear model is not reasonable.

The column (4) in table 1 lists the baseline regression results with all control variables added, and the column (5) lists the baseline regression results with clustering adjusted after adding all control variables. From the regression results of these two columns, it can be seen that the primary coefficient of the culture distance is significantly negative, and the quadratic coefficient of culture distance is significantly positive, so the model of the relationship between the culture distance and China's trade to the sample countries along the "Belt and Road" is a significant U-shape model. Therefore, the hypothesis H1 of this paper is verified.

About the control variables, China's GDP, "Belt and Road" countries' GDP, "Belt and Road" countries' population, China's OFDI stocks to the "Belt and Road" countries, "Belt and Road" countries' economic freedom, and "Belt and Road" countries' coastline situation are all positively and significantly correlated with China's foreign trade exports, which is in line with the expectation. China's population, geographic distance between China and the "Belt and Road" are significantly and negatively correlated with China's foreign trade exports, in line with expectation. However, language distance and accession to the World Trade Organization do not play a significant role in the sample of countries selected for this paper. The reason why language distance is not significant may be that with the widespread use of English in the world, the role of language distance in inhibiting bilateral trade has become smaller. The reason why accession to the World Trade Organization is not significant is that the trade volume of WTO member countries has accounted for more than 95% of the world's trade volume, and almost all of China's trading partner countries have joined the World Trade Organization, so the effect of whether

China's export target countries join the World Trade Organization or not has become insignificant.

## 4.2. Robustness Checks

Replace the core independent variables. In this part, the core independent variable is replaced. The Euclid measurement method is used to measure the culture distance, and the measure of culture distance is still measured using the Hofstede's 6 dimensions. The specific measurement formula is as follows:

$$CD_{cjt} = \sqrt{\sum_{k=1}^6 \frac{(C_{kjt} - C_{kct})^2}{V_{kt}} + \frac{1}{T_{cj}}}$$

The estimation results are shown in the column (1) of Table 2, and the empirical results remain significant U-shape after the core explanatory variables are replaced by Euclid method culture distance measurement.

Replace the estimation method. Existing literature expresses that the estimation method of OLS has the problems of bias and inconsistency in the process of logarithmicalizing model, and the PPML estimation method can solve the problem to a certain extent, therefore, this paper replaces the estimation method to regress, and the result is shown in the column (2) of Table 2, and the regression result shows that the it is still robust after replacing the estimation method.

Lag one-period dependent variable. Culture can affect trade, and trade may also affect culture. Trade may promote culture exchanges, which in turn affect culture differences, leading to culture distance's change. In short, the problem of reverse causality may occur in the model. Therefore, this paper lags the dependent variable by one period for testing, and from the results in the column (3) of Table 2. It can be seen that the culture distance and China's trade and export value to the countries along the "Belt and Road" still present a "U" shaped relationship of inhibition followed by promotion, which indicates that the regression is still robust.

**Table 2. Robustness Checks**

	(1)	(2)	(3)
	lnEX <sub>cjt</sub>	lnEX <sub>cjt</sub>	lnEX <sub>cjt-1</sub>
lnCD <sub>cjt</sub> _ECD	-4.371*** (0.886)		
ln <sup>2</sup> CD <sub>cjt</sub> _ECD	1.619*** (0.344)		
lnCD <sub>cjt</sub>		-0.0481*** (0.0114)	-0.712*** (0.146)
ln <sup>2</sup> CD <sub>cjt</sub>		0.0270*** (0.00677)	0.398*** (0.0865)
Controls	Yes		Yes
Year	Yes		Yes
Continent	Yes		Yes
Observations	773	773	773

Note: Robust standard errors in parentheses \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

## 5. Further Discussion

### 5.1. Primary and Industrial Products

Since trade exports are affected by commodity categories (Ren, 2019), this paper categorizes China's foreign trade exports to countries along the "Belt and Road" according to

UN Comtrade’s SITC commodity categories (Liu et al., 2022). The results in Table 3’s columns (2) and (3) show the results of the impact on China’s exports to countries along the “Belt and Road” under the categories of primary products and industrial products respectively. From the results, it can be seen that the relationship between culture distance and China’s primary and industrial products export are both U-shape, first inhibiting and then promoting.

An analysis of the quadratic coefficient of culture distance shows that the absolute value of the quadratic coefficient of

primary products is larger than the absolute value of the quadratic coefficient of industrial products, indicating that in the stage of culture distance’s inhibition of trade exports, the inhibitory effect of primary products is stronger than that of industrial products, and in the stage of culture distance’s promotion of trade exports, the effect to primary products is stronger than that of industrial products. In short, culture distance is more sensitive to the effects on primary products than on industrial products. The reason for this is that industrial products are produced in a more standardized way than primary products, which makes them less heterogeneous.

**Table 3.** Heterogeneity Analysis

	(1) lnEX <sub>cjt</sub>	(2) lnEX <sub>cjt_Primary</sub>	(3) lnEX <sub>cjt_Industrial</sub>	(4) lnEX <sub>cjt_Highincome</sub>	(5) lnEX <sub>cjt_Lowincome</sub>
lnCD <sub>cjt</sub>	-0.746*** (0.127)	-1.619*** (0.168)	-0.684*** (0.128)	-0.362** (0.148)	-3.494*** (0.406)
ln <sup>2</sup> CD <sub>cjt</sub>	0.413*** (0.0726)	0.936*** (0.0958)	0.379*** (0.0732)	0.290*** (0.0811)	1.901*** (0.297)
Controls	Yes	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes	Yes
Continent	Yes	Yes	Yes	Yes	Yes
Observations	773	773	773	568	205
Adjusted R-squared	0.877	0.852	0.875	0.844	0.964

Note: Robust standard errors in parentheses \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

## 5.2. High-income and Low-income Target Trade Countries

China’s trade exports to countries along the “Belt and Road” will also be affected by the income level of the target countries (Li, 2014). Therefore, it is necessary to analyze the selected sample countries according to different income levels. According to the indicators given by the World Bank database, the sample countries are mainly divided into two categories of high-income level and low-income level in this paper. The fourth column in Table 3 shows the results of China’s export to high-income level countries, and the fifth column shows the results of China’s export to low-income level countries. From the results of these two columns, it can be seen that whether it is a low-income level country or a high-income level country, the culture distance plays a “U” shape role in inhibiting and then promoting China’s trade exports to them.

An analysis of the quadratic coefficient of culture distance shows that the absolute value of the quadratic coefficient of culture distance of low-income level countries is larger than the absolute value of the quadratic term coefficient of high-income level countries. This result indicates that the sensitivity of the impact of culture distance on China’s trade

exports to countries at the low-income level is greater than the sensitivity of China’s trade exports to countries at the high-income level.

This result is due to the fact that high-income countries are less likely to be influenced by culture in their consumption of imports because they have more standardized production methods and more sophisticated production technologies than low-income countries, and are somewhat self-sufficient. Low-income countries, however, may be more resilient to imports from abroad due to low levels of productivity but high consumption requirement varieties.

Moreover, low-income countries tend to produce more resource-intensive products with factor endowments than high-income countries, and most primary products are resource-intensive. So the import elasticity of low-income countries is higher for resource-intensive primary products than for industrial products required by standardized processes.

In order to test the idea mentioned above 2 paragraphs, the paper further analyzes the heterogeneity of primary and industrial products for high-income level countries and low-income level countries respectively, the results are shown in Table 4 below:

**Table 4.** Further analysis for heterogeneity of products categories in different income countries

	(1) lnEX <sub>cjt_Highincome_pri</sub> mary	(2) lnEX <sub>cjt_Highincome_industr</sub> ial	(3) lnEX <sub>cjt_Lowincome_prima</sub> ry	(4) lnEX <sub>cjt_Lowincome_industr</sub> ial
lnCD <sub>cjt</sub>	-1.301*** (0.185)	-0.292* (0.150)	-4.681*** (0.610)	-3.386*** (0.410)
ln <sup>2</sup> CD <sub>cjt</sub>	0.773*** (0.101)	0.255*** (0.0820)	3.168*** (0.446)	1.800*** (0.300)
Controls	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes
Continent	Yes	Yes	Yes	Yes
Observations	568	568	205	205

Note: Robust standard errors in parentheses \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

First, the quadratic coefficient of culture distance for both primary products and industrial products shows that culture distance has a smaller impact on high-income countries than on low-income countries. When comparing industrial products in high-income and low-income countries, the effect of culture distance is significantly smaller in high-income countries than in low-income countries. This result shows that high-income countries have more standardized production methods and more mature production technology, low-income countries do not have a comparative advantage in technology, and thus are less sensitive to the impact of culture distance on imports from high-income countries than low-income countries.

Second, in both high-income and low-income countries, the quadratic coefficient of culture distance shows that the effect of culture distance on primary products is greater than that of industrial products, which can further verify the conclusion that industrial products have a more standardized production method, which can lead to a reduction in the heterogeneity of products.

### 5.3. The Experience of Friendship Cities

In this part, the interaction term of culture distance and friendship cities is chosen as an explanatory variable to investigate whether the conclusion of friendship cities can play a certain moderating effect on the influence of culture distance on China's trade export to the "Belt and Road" countries. The model 2 of this paper introduces the interaction term, and the regression results are shown in the Table 5. From the regression results, the primary coefficient of culture distance is significantly negative, and the quadratic coefficient is significantly positive, so the culture distance still shows a "U" shape of inhibiting and then promoting China's trade export to the countries along the "Belt and Road".

Furthermore, the interaction variable between culture distance and friendship city is significantly positive at the 1% level, and the coefficient of the interaction term is 0.269, which means that every 1% increase in friendship cities can modulate the impact of culture distance on China's exports to countries along the "Belt and Road" by 0.269%. In other words, When culture distance inhibits trade exports, every 1% increase in friendship cities can offset 0.269% of the negative impact of culture distance inhibiting "Belt and Road" exports due to trade costs. When culture distance facilitates trade exports, every 1% increase in friendship cities can increase 0.269% the positive impact of culture distance on China's exports to the "Belt and Road" due to deeper culture understanding.

In order to further explore whether the moderating effect of friendship cities on the impact of culture distance on China's trade exports is different due to the different commodity types, this section conducted regressions on primary products and industrial products respectively, and the results are shown in columns (2) and (3) of Table 5. By analyzing the interaction term between culture distance and friendship cities, it can be seen that the role of friendship cities in moderating the effect of culture distance on trade exports is not significant for primary products but is significant for industrial products. However, by comparing the coefficients before the interaction terms, it can be found that the absolute value of the coefficient of the interaction term for industrial products is larger than

that of the interaction term for primary products, which somehow indicates that the moderating effect of friendship cities on industrial products is larger than that on primary products.

In order to further investigate whether the effect of friendship cities on culture distance on China's exports will be different due to the different income levels of the trade target countries, this section conducted regressions for high-income and low-income countries respectively, and the results are as shown in columns (4) and (5) of Table 5. With the interaction term between culture distance and friendship cities in column (4) significantly positive, indicating that for high-income level countries, friendship cities have a positive moderating effect on culture distance inhibiting trade exports. In column (5), the interaction is significantly negative, indicating that the friendship cities may have negative effect on China's export to low-income countries, which may be explained by the fact that the construction of friendship cities may lead to technology mobility or brain drain.

The impact of friendship cities is mainly reflected in the enhancement of political mutual trust, maintenance of regional security and stability, promotion of economic and trade activities and scientific and technological cooperation, promotion of intellectual attraction and personnel exchanges, promotion of social undertakings and cultural development, and promotion of the image of the country and the region (Yang et al., 2022). As the content of the friendship city exchanges not only involves the culture level, but also involves the aspects of scientific and technological exchanges or the flow of related talents. Scientific and technological exchanges and the flow of talents mean that the exchanges between China and high-income level countries will lead to the inflow of high technology and high-tech talents from developed high-income level countries into China. When the technology and talents from high-income countries flow into China, the production efficiency of China's industrial products increases, which may promote the formation of the scale effect of the corresponding industrial products, and will promote the export of China's industrial products even more, which indicates that the construction of friendship cities has a positive moderating effect on China's export of industrial products. While the construction of friendship cities between China and low-income level countries will cause the China's technology and talents flow into low-income level countries. When China's technology and talents flow into low-income countries, it will promote the low-income countries' technology progress and productivity improvement, thus the low-income countries will reduce the imports and increase the exports, so the moderating effect of the friendship cities on China's exports to low-income countries is negative.

International talent flows can negatively regulate China's exports to low-income countries (Wei et al., 2020). In order to verify that it is due to the mechanism that friendship cities will lead to the technology or talents from China flow to low-income countries, China's exports of primary products and industrial products to low-income countries are further examined. Comparing the coefficients of the interaction terms in columns (6) and (7) of Table 5, it can be seen that in the sample of low-income countries, the impact of friendship cities on China's exports is negative for both primary products and industrial products. Moreover, the moderating effect of friendship cities on China's exports of industrial products to

low-income countries is greater than that of exports of primary products, suggesting that international exchanges of friendship cities do bring about exchanges of technology or

high-tech talents, resulting in technological advances in low-income countries and increased productivity, which in turn reduces the demand for imported products.

**Table 5.** The experience of Friendship Cities for analyzing culture distance on China's trade export

	(1) lnEX <sub>cjt</sub>	(2) lnEX <sub>cjt_Pri</sub> mary	(3) lnEX <sub>cjt_Indu</sub> strial	(4) lnEX <sub>cjt_Hig</sub> hincome	(5) lnEX <sub>cjt_Low</sub> income	(6) lnEX <sub>cjt_Low</sub> income_Pri mary	(7) lnEX <sub>cjt_Low</sub> income_Indu strial
lnCD <sub>cjt</sub>	-0.918*** (0.131)	-1.686*** (0.175)	-0.860*** (0.132)	-0.650*** (0.149)	-3.468*** (0.329)	-2.546*** (0.554)	-2.132*** (0.327)
ln <sup>2</sup> CD <sub>cjt</sub>	0.310*** (0.0754)	0.897*** (0.101)	0.274*** (0.0760)	0.134 (0.0815)	2.475*** (0.248)	0.525*** (0.105)	0.403*** (0.0619)
lnCD <sub>cjt</sub> * FC	0.269*** (0.0611)	0.104 (0.0816)	0.275*** (0.0615)	0.456*** (0.0684)	-0.765*** (0.0789)	-0.404*** (0.153)	-0.575*** (0.0903)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Continent	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	773	773	773	568	205	205	205
Adjusted R-squared	0.880	0.852	0.878	0.856	0.976	0.931	0.969

Note: Robust standard errors in parentheses \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

#### 5.4. The Experience of Confucius Institutes

In this part, the interaction term of culture distance and Confucius Institutes is chosen as an explanatory variable to investigate whether the construction of Confucius Institutes can play a certain moderating effect on the impact of culture distance on China's export to the "Belt and Road" countries. In this part, the interaction term is introduced in Model 3, and the regression results are shown in column (1) of Table 6. The interaction significantly positive at the 1% level, with a coefficient of 0.447. In other words, when culture distance inhibits trade exports, every 1% increase in Confucius Institutes can offset 0.447% of the negative impact of culture distance due to trade costs. When culture distance promotes trade exports, every 1% increase in Confucius Institutes can increase 0.447% the positive impact of culture distance on China's foreign exports due to deeper culture understanding.

In order to explore whether the moderating effect of Confucius Institutes is different due to the different commodity categories, this part conducted regression tests on primary products and industrial industrial products respectively, and the results are shown in the Table 6 columns

(2) (3). From the interaction term of culture distance and Confucius Institutes, it can be found that Confucius Institutes' regulating effect on primary products is higher than that on industrial industrial products, which is different from that of the friendship cities presenting a different regulating effect. The reason may be the fact that the underlying logic of Confucius Institutes and Friendship Cities is different.

The main purpose of Confucius Institutes is to strengthen Chinese culture self-confidence, to strengthen Chinese culture "going out", to strengthen culture dissemination so as to strengthen the recognition of Chinese culture by international friends, without involving the flow of technology and high-tech talents that may be caused by the friendship cities, and thus the regulating effect of Confucius Institutes on industrial manufactured products involving higher technological requirements and higher requirements for talents is weaker than that of the friendly cities. Moreover, primary products are more characterized by local customs and consumption habits, and thus Confucius Institutes have a better moderating effect than friendship cities in terms of cultural identity.

**Table 6.** The experience of Confucius Institute for analyzing culture distance on China's trade export

	(1) lnEX <sub>cjt</sub>	(2) lnEX <sub>cjt_Primary</sub>	(3) lnEX <sub>cjt_Industrial</sub>	(4) lnEX <sub>cjt_Highincome</sub>	(5) lnEX <sub>cjt_Lowincome</sub>
lnCD <sub>cjt</sub>	-1.104*** (0.143)	-2.082*** (0.189)	-1.032*** (0.144)	-0.539** (0.221)	-3.743*** (0.464)
ln <sup>2</sup> CD <sub>cjt</sub>	0.338*** (0.0729)	0.839*** (0.0963)	0.306*** (0.0736)	0.281*** (0.0816)	1.890*** (0.297)
lnCD <sub>cjt</sub> * Confucius	0.447*** (0.0875)	0.577*** (0.116)	0.435*** (0.0883)	0.187 (0.173)	0.214 (0.193)
Controls	Yes	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes	Yes
Continent	Yes	Yes	Yes	Yes	Yes
Observations	773	773	773	568	205
Adjusted R-squared	0.881	0.857	0.878	0.844	0.964

Note: Robust standard errors in parentheses \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

According to the analysis of this section, cultural interaction activities can to some extent alleviate the inhibitory effect of increased transaction costs due to culture distance and enhance the facilitating effect of consumer choice preferences due to culture distance. So the H2 has been proved.

## 6. Conclusion

Culture, as an informal system, has long had a non-negligible impact on international trade activities. At present, the global economic growth rate is slowing down, and the prospects for global trade are not optimistic. Therefore, it is of great practical significance to study the impact of culture on trade. On the basis of previous studies, this paper selects the relevant data of China's trade exports to the "Belt and Road" from 2007 to 2022. This paper mainly studies the impact of culture distance on China's exports to countries along the "Belt and Road", the impact of culture distance on China's exports in the context of countries with different commodity categories and different levels of income, as well as the possible moderation mechanism to the culture distance on China's export.

The main conclusion are: First, culture distance has a U-shape effect on China's exports to the "Belt and Road" sample countries, first inhibiting and then promoting. Second, the influence sensitivity of culture distance to the export of primary products is larger than the influence sensitivity to the export of industrial manufactured products, the possible reason is that industrial products are produced in a more standardized way than primary products, which reduces product heterogeneity. Third, the sensitivity of culture distance on the export to low-income countries is larger than that of high-income countries. The possible reason is that compared with low-income countries, high-income countries have more standard production methods and more mature production technologies, thus the high-income countries have certain self-sufficiency ability, so they are less likely to be influenced by culture. Fourth, culture interaction activities can significantly moderate the influence of culture distance on China's trade to countries along the "Belt and Road". The culture interaction activities can mitigate the negative impact and strengthen the positive impact, and the reason is that culture exchange activities can improve culture cognition between countries, enhance cultural closeness, promote technology and talents exchanges and so on, so interaction activities can play a positive role in China's exports.

The paper demonstrates the relationship between culture distance and China's export to the "Belt and Road" countries. Although this relationship has been verified through several robustness checks, there are still limitations. First, the underlying mechanisms are still not fully uncovered. Although the Transaction Cost and Consumer Choice Preference sound reasonable and are strongly supported by empirical results, the concrete channel is still far from clear. Second, this paper test the heterogeneity caused by commodity categories and target countries' income level, even though the result shows that there are actually heterogeneity, but the explanation has not been proved so strongly. Third, even though the moderating effect of Friendship Cities and Confucius Institutes in this paper is significant, it can only be seen that these transactional activities do have some positive effect, but this paper only gives several possible reason but not continue to explore the

inherent mechanism. But the author will try her best to find the inherent mechanism in her following study, to uncover the truth hide in the existed theory.

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